

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L KINGSTON 6035

E.O. 11652: GDS
TAGS: PLAB, JM
SUBJECT: GOJ AND UNIONS AT WAGE IMPASSE

REFERENCE: KINGSTON 5392

1. WAGE NEGOTIATIONS BETWEEN THE JAMAICAN GOVERNMENT AND ITS EMPLOYEES REACHED AN IMPASSE ON OCTOBER 11 WHEN MINISTER OF FINANCE DAVID COORE ANNOUNCED THAT THE CABINET HAD DECIDED NOT TO GRANT A WAGE INCREASE IN EXCESS OF \$10 PER WEEK TO PUBLIC SECTOR WORKERS. THE UNIONS, REPRESENTING 39,000 OF THE COUNTRY'S 76,000 PUBLIC SECTOR EMPLOYEES, HAD DEMANDED A \$20 PER WEEK ACROSS-THE-BOARD INCREASE. ON OCTOBER 12 THE UNIONS APPEALED TO PRIME MINISTER MANLEY TO INTERVENE IN AN EFFORT TO "ARRIVE AT AN AMICABLE RESOLUTION OF THE CRISIS". A MEETING BETWEEN THE UNIONS AND THE PRIME MINISTER HAS BEEN ARRANGED FOR OCTOBER 19.

2. IN HIS STATEMENT REJECTING THE UNIONS' WAGE DEMAND COORE NOTED THAT THE \$20 PER WEEK INCREASE WOULD HAVE COST THE GOJ OVER \$55 MILLION PER ANNUM. HE SAID THE GOVERNMENT COULD NOT MEET THIS COST NO MATTER HOW
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JUSTIFIED THE UNIONS' DEMANDS. HE POINTED OUT THAT INCREASES OF THIS MAGNITUDE WOULD FORCE GOVERNMENT CUT-BACKS IN SOCIAL SERVICES AND LAY OFFS IN THE PUBLIC SECTOR. HE STRESSED THAT THE CABINET HAD CONSIDERED ALL ASPECTS OF THE MATTER BEFORE TAKING A DECISION AND THAT THE DECISION TAKEN WAS FINAL.

3. IN APPEALING THE DECISION TO THE PRIME MINISTER, UNION SPOKESMEN, WHO REPRESENT ALL OF JAMAICA'S MAJOR TRADE UNIONS, INCLUDING THE RULING PARTY AFFILIATE NATIONAL WORKER'S UNION, SAID THE GOJ OFFER HAD CAUSED "SHOCK AND CONSTERNATION AMONG WORKERS WHO HAVE NOW BECOME RESTIVE". THE UNIONS STRESSED THE FACT THAT PUBLIC SECTOR EMPLOYEES HAVE NOT RECEIVED A WAGE INCREASE SINCE 1974, A PERIOD MARKED BY MAJOR INCREASES IN PRICES AND PRIVATE SECTOR WAGES.

4. COMMENT: THE WAGE DISPUTE POSES A NUMBER OF PROBLEMS FOR THE GOJ AND THE UNIONS.

A. THE GOJ WAGE OFFER OF \$10 PER WEEK REPRESENTED AN ABANDONMENT BY THE GOVERNMENT OF ITS UNDERTAKING WITH THE IMF TO "FREEZE" PUBLIC SECTOR WAGES. ALTHOUGH THE GOJ ACTION DOES NOT CONSTITUTE A FORMAL BREACH OF AN IMF PERFORMANCE CRITERION, ANY FURTHER CAPITULATION ON THE WAGE ISSUE IS LIKELY TO BE SEEN AS AN INDICATION OF THE GOVERNMENT'S INABILITY TO EXERCISE FISCAL RESTRAINT. FURTHER WAGE INCREASES ARE ALSO LIKELY TO MAKE IT IMPOSSIBLE FOR THE GOJ TO FUND ITS BUDGET WITHOUT FURTHER RESORT TO BANK OF JAMAICA FINANCING, A STEP PROHIBITED BY THE IMF AGREEMENT.

B. THE UNIONS FEEL THEIR OWN ROLE WITHIN THE
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"DEMOCRATIC SOCIALIST" SOCIETY MAY BE AT STAKE. AS HAS BEEN RUEFULLY POINTED OUT TO US BY MINISTER OF STATE FOR PLANNING AND PROJECTS RICHARD FLETCHER, THE GOJ HANDLED THE NEGOTIATIONS POORLY, LEAVING ITSELF AND THE UNIONS WITH NO ROOM FOR NEGOTIATION. UNION LEADERS ARE KEENLY AWARE OF RECENT STATEMENTS BY SOME RADICAL MEMBERS OF THE RULING PEOPLE'S NATIONAL PARTY THAT THERE IS NO ROOM FOR UNIONS IN A CONTROLLED ECONOMY. MANY UNION LEADERS WOULD HOPE TO USE THIS OCCASION TO PROVE THEIR WORTH TO THEIR OWN MEMBERSHIPS. TO DO THIS THEY CAN NOT ACCEPT THE GOVERNMENT'S "TAKE IT OR LEAVE IT" OFFER.

C. FINALLY, THE NEGOTIATIONS ARE CHARACTERIZED BY CONSIDERABLE BEHIND-THE-SCENES INTER-UNION RIVALRY AND COMPETITION. NO UNION, AND PARTICULARLY THE PRO-GOVERNMENT NATIONAL WORKER'S UNION, WANTS TO BE OUT-NEGOTIATED BY A RIVAL. THIS WILL MAKE IT EVEN MORE DIFFICULT FOR THE UNIONS TO REACH AGREEMENT WITH THE GOVERNMENT AND COULD WELL LEAD TO INCREASED STRESS BETWEEN THE PNP AND ITS NWU AFFILIATE. WITHIN THIS CLIMATE IT WILL BE UP TO THE PRIME MINISTER TO FIND A SOLUTION. DOUBTLESSLY SOME ATTEMPT

WILL BE MADE TO FIND A FACE-SAVING FORMULA FOR THE
UNIONS WHICH WILL NOT FURTHER EXACERBATE THE COUNTRY'S
FISCAL PROBLEMS. HOW SUCCESSFUL THIS APPROACH WILL
BE DEPENDS IN LARGE MEASURE ON PRIME MINISTER MANLEY'S
PERSONAL INFLUENCE.
IRVING

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